

Changes in Share Ownership and Corporate Monitoring

Aslihan Ersoy-Bozcuk^{a,1}, M. Ameziane Lasfer^{b,*}

^a IIBF, Akdeniz University, Dumlupinar Bulvari, Kampus, Antalya, 07070, Turkey

^b Cass Business School, City University, 106 Bunhill Row, London EC1Y 8TZ, UK

Abstract

We document a significant decrease in the ownership structure of a large number of companies in the UK over the last decade. We find that the increase in firm's size and risk and the decrease in performance explain a large proportion of this change. We also find that the dilution of ownership through new issues rather than sales of stakes to be the main reason for the decrease in management ownership and the holdings of pressure-resistant investors, such as fund managers and pension funds. Finally, we report that, although the fundamental determinants of ownership structure have not shifted in the 1990s, the relationship between firm value and ownership structure became weak or negative in the late 1990s.

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* Corresponding author. Tel. (+44) (0) 20 7477 8634, Fax (+44) (0) 20 7477 8881, email: m.a.lasfer@city.ac.uk.

¹ Tel: +90 242 310 1911, Fax : +90 242 259 1454, email : aebozcuk@akdeniz.edu.tr

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